

Special Report

Momentive and unions reach tentative agreement

New three-year proposal increases wages, provides job loss protection, improves health care coverage and pensions

This *Special Report* details the tentative agreements reached between negotiators for Momentive and the IUE-CWA (covering represented employees in Waterford and Willoughby) and the ICW (covering represented employees in Sistersville). The proposed job package is subject to ratification by union members. The new proposed job package makes Momentive jobs, already among the best in local communities, even better. The agreements provide improved pay and benefits while helping the business to improve competitiveness.

Key improvements:

- Wage package, including COLAs, delivers projected 10.6% increase for the average employee over term of contract
- Almost \$11,000 in additional straight-time pay over term of contract for the average hourly employee
- Defined benefit pension plan retained with new final average pay formula. Special alternate benefit calculation provides "bridge" benefit for long-service employees close to retirement
- Valuable improvements in Long and Short Term Disability coverage

- Health care benefits strengthened with enhanced preventive care coverage. Maintains excellent health care plan with catastrophic cost protection. Cost-share changes keep competitive balance between employee and company costs. Pre-tax contributions, based on pay, increase less than \$3.29 per week per covered individual in Health Care Preferred
- Additional week of vacation pay in 2007 for employees hired in 2006 and 2007. Earn as you go established October 1, 2007 for new hires.
- Higher Individual Development Program benefits

Other highlights:

- • New contract locks in gains in pay and pensions; retains key job security provisions
- Value of all pay-related benefits – pension, savings, life insurance, disability pay – go up with higher pay ←
- • Successor provision provides continuity in case of sale of business to a new employer
- Job security provisions include SERO/PCPO involuntary job loss protection for those age 55 to 60 with 25 years PQS. Voluntary Layoff and Special Retirement Bonus payments hiked 14% to \$16,000





Pay Improvements

Wages to improve 10.6%

Wage growth will keep employee pay very competitive in the local marketplace and help protect pay against inflation.

Retroactive to June 18, 2007, employees will receive the first of three general rate increases. The general increases plus six cost-of-living adjustments (COLAs) will raise the average hourly employee's base pay about 10.6% in less than three years. These increases also improve the value of many other benefits, including pension, life insurance, disability benefits, overtime and shift differentials.

Three general wage increases, six COLAs

Hourly and non-exempt salaried rates will be raised by general increases of 3.0% on June 18, 2007; 2.5% in June 2008; 2.5% in June 2009. Protection from inflation will be provided by an uncapped COLA arrangement. COLAs will be paid on December 17, 2007; June 23, and December 15, 2008; June 22 and December 21, 2009; April 19, 2010 under a formula that provides .01¢ an hour (\$0.40 a week) for each 0.09% CPI-W rise in each of the measurement periods.

Pension Plan

Defined benefit pension plan retained with new formula

Effective January 1, 2008, the Momentive Pension Plan – when combined with Social Security and modest savings in the Momentive 401k Plan – is targeted to provide replacement income of approximately 80% of final pay for full career employees. The proposed plan provides for a:

- new Final Average Pay formula
- Guaranteed Pension
- Regular Supplement
- Special Supplement
- Special Alternate formula for employees who as of January 1, 2007 were age 55 with 25 years of service (including service with GE).

New Final Average Pay (FAP) formula is based on average earnings of highest consecutive five of the last 10 years before retirement. The formula is 1.1% of FAP up to \$47,500 plus 1.6% over \$47,500 times years of Momentive PBS after December 31, 2007. The \$47,500 "breakpoint" increases to the Social Security Covered Compensation amount after January 1, 2011.

Guaranteed Pension

Guaranteed pension, effective January 1, 2008, sets the monthly benefit at \$45 times Momentive PBS. The Guaranteed pension applies if it is greater than the benefit under the final average pay formula.

Supplements continue

- Regular supplement pays \$16 per month for each year of Momentive PBS
- Special supplement re-established at \$350 per month for those with 25 or more years of PQS (available until July 1, 2010)
- Supplements paid at retirement are extended to 80% Social Security eligibility date, which for most retirees is age 63. The extensions are available until July 1, 2010 (supplements are normally paid to age 62)

Special Alternate Pension

Special benefit formula designed to "bridge" the benefit for eligible long service employees to approximate what the GE plan would have provided:

- Eligibility: age 55 with 25 years PQS as of Jan. 1, 2007
- Eligible employees will receive as an alternate pension for each year of Momentive PBS from January 1, 2008 to December 31, 2011, based on the following formula:
1.45% of Pensionable Earnings up to \$55,000 plus
1.90% of Pensionable Earnings over \$55,000

What is "replacement income"?

Replacement income is the portion of the income you earned while working that you'll need in retirement to maintain your standard of living. The general standard for replacement income for a full career employee is in the range of 70% to 80% of your average earnings in the final five years of work. Three key sources contribute to your replacement income: your Momentive Pension, Social Security and the Momentive 401k Plan.

New survivor option increases retirement choices

Employees can elect a 75% Survivor Benefit Option (effective January 1, 2008); new option is in addition to the current 50% or 100% survivor option.

Pre-retirement Survivor Benefit

For eligible married participants: Surviving spouse benefit deferred to date at which participant would have attained age 60, payable as if employee elected a 50% joint and survivor annuity, or if elected by the spouse, an actuarial present value lump sum to be paid at a date earlier than the deferred date.

Single Participants: Maintain 5-year certain equivalent lump sum.

Job and Income Security

Income and benefit protection

Special Early Retirement Option (SERO) and Plant Closing Pension Option (PCPO) retained to provide income to employees who are directly affected by a permanent job-loss event.

A key objective of the Company's Job and Income Security program is to provide income to employees who are directly affected by a permanent job-loss event.

Momentive will provide an early retirement option for employees affected by an involuntary layoff of indefinite duration when the employee has no right to displace to, or be placed in another Momentive position or is terminated due to a plant closing:

- Eligibility: Age 55 to 60 and 25 or more years PQS
- Benefit calculated using Momentive and GE service to produce payment comparable to benefit under prior GE plan. Payment is integrated with GE vested benefit at age 60

Preferential Placement for plant closing

Momentive will increase relocation assistance from \$3,000 to \$3,500 for single employees and from \$6,000 to \$7,000 for employees with dependents. Reimbursement expenses will increase from \$175 to \$250 for attending interviews and selection procedures per visit. In addition, the number of locations an employee can designate for preferential placement has been set at six.

Enhanced Bonus Opportunities

Voluntary layoff and Special Retirement bonuses will increase to \$16,000 from \$14,000.

Education and Retraining Assistance

Employees who are affected by a plant closing can now be reimbursed up to \$12,500 for education and retraining, a boost from \$10,000. This increase will provide affected employees with expanded opportunities to improve or

learn different skills in preparation for a new job or career change. This benefit also applies to employees who elect Preferential Placement when affected by a plant closing.

Successor provision added

A new Successor clause will provide assumption of the collective bargaining agreement in the event of business sale or transfer of the business. This will provide continuity of benefits and other contract provisions for employees for the term of the contract.

Health Care Benefits

Increased access and expanded coverage improves benefits

The Company offers health care benefits that encourage early detection of disease through preventive care, promote healthy lifestyles and makes it easier for employees to access quality care. Establishing competitive levels of cost sharing between employees and the Company is a key element in continuing to provide a comprehensive health care program.

Changes will be effective April 1, 2008 (unless otherwise noted).

Preventive care provisions improved

A key objective of the Company's medical care plans is encouraging early detection of disease through preventive care. It's important to take advantage of preventive care screenings and services to maintain your health and manage your overall health care costs.

Several improvements to preventive care provisions are being made to the Comprehensive Medical Plan to bring it more in line with preventive provisions currently offered in Health Care Preferred.

Preventive care coverage improved for Momentive's Comprehensive Medical and Health Care Preferred Plans

- Annual physicals*
- Mammograms*
- Colonoscopy*
- Sigmoidoscopy*
- Hemoccult test*
- Prostate (digital rectal exam)*
- Prostate (PSA test)*
- HPV vaccination series to protect females against cervical cancer (age 9-26)
- Bone density test (reduced age limit to 40 from 50)

**denotes coverage once a year at any age*

Changes in employee contributions

Employee contributions will be increased per schedule below and continue to be made on a pre-tax basis. Contribution pay categories will also be consolidated from 7 to 5.

Health Care Preferred Plan

One Person Coverage (Tier 1)

Effective: April 1, 2008	
Annual Pay Normal Straight-Time Earnings	Weekly Contribution for COLA Eligible
Up to \$49,999	\$6.42
\$50,000-\$74,999	\$10.33
\$75,000-\$99,999	\$13.65
\$100,000-\$149,999	\$17.88
\$150,000 or more	\$25.05

Two Person Coverage (Tier 2)

Effective: April 1, 2008	
Annual Pay Normal Straight-Time Earnings	Weekly Contribution for COLA Eligible
Up to \$49,999	\$16.21
\$50,000-\$74,999	\$23.14
\$75,000-\$99,999	\$28.41
\$100,000-\$149,999	\$35.45
\$150,000 or more	\$48.38

Coverage for Three or More (Tier 3)

Effective: April 1, 2008	
Annual Pay Normal Straight-Time Earnings	Weekly Contribution for COLA Eligible
Up to \$49,999	\$21.95
\$50,000-\$74,999	\$32.69
\$75,000-\$99,999	\$41.82
\$100,000-\$149,999	\$54.50
\$150,000 or more	\$78.99

Comprehensive Medical Plan

One Person Coverage (Tier 1)

Effective: April 1, 2008	
Annual Pay Normal Straight-Time Earnings	Weekly Contribution for COLA Eligible
Up to \$49,999	\$8.95
\$50,000-\$74,999	\$13.29
\$75,000-\$99,999	\$16.60
\$100,000-\$149,999	\$20.83
\$150,000 or more	\$28.00

Two Person Coverage (Tier 2)

Effective: April 1, 2008	
Annual Pay Normal Straight-Time Earnings	Weekly Contribution for COLA Eligible
Up to \$49,999	\$23.57
\$50,000-\$74,999	\$31.74
\$75,000-\$99,999	\$37.00
\$100,000-\$149,999	\$44.04
\$150,000 or more	\$56.98

Coverage for Three or More (Tier 3)

Effective: April 1, 2008	
Annual Pay Normal Straight-Time Earnings	Weekly Contribution for COLA Eligible
Up to \$49,999	\$32.09
\$50,000-\$74,999	\$44.52
\$75,000-\$99,999	\$53.65
\$100,000-\$149,999	\$66.32
\$150,000 or more	\$90.80



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Primary Care Co-pay (Health Care Preferred)

The co-payment for in-network primary care visits increase from \$15 to \$20 per visit. All Ob/Gyn visits will be considered as primary care.

Specialist Co-pay referrals eliminated (Health Care Preferred)

The plan eliminates requirement of Primary Care Physician referral to a Specialist. This means that fewer office visits will be required ultimately lowering out of pocket costs. In addition, it will provide medical care in a timelier manner. The co-payment for most in-network specialist visits increases from \$25 to \$35 per visit.

New co-pay for outpatient diagnostic testing (Health Care Preferred)

- \$100 co-pay applies to CAT scans, PET scans, MRAs and MRIs
- Limited to 2 co-pays per year, per family
- Co-payment does not apply to professional fees for reading images
- Coverage level for other diagnostic imaging procedures, such as x-rays, ultrasounds and EKGs will remain at 100%

Hospital Co-pay (Comprehensive Medical and Health Care Preferred)

- Increase hospital co-pay from \$150 to \$300 per admission (maximum 2 per calendar year per family)
- Co-pays will not apply to birthing centers, outpatient ambulatory surgical facilities, extended care facilities, centers for excellence, or hospice

Prescription drugs: new co-insurance structure

Momentive's prescription drug benefits provide comprehensive coverage for prescription medications purchased through retail pharmacies and mail order. A co-insurance for brand drugs will be established effective January 1, 2008.

Generic co-pays for retail and mail order remain the same. Co-insurance for brand drugs will be set at 40% of discounted cost with a maximum of \$30 for retail and \$60 for mail order. The annual co-pay maximum increases to \$2,250 (was \$2,000) per individual and \$4,500 (was \$4,000) per family.

	Retail Per 21-day supply	Mail Order Per 90-day supply
Generic	\$12	\$20
Brand	40% of discounted cost (\$30 max)	40% of discounted cost (\$60 max)

The prescription drug administrator (Medco) will maintain a list of specialty drugs. Medco's standard prior authorization list and procedures apply to members of both plans.

Working Spouse Contribution

Contributions for working spouse are in addition to the employee's regular contributions and are deducted on a pre-tax basis.

Annual Pay	Weekly Payroll Contribution
Up to \$49,999	\$10
\$50,000 - \$74,999	\$15
\$75,000 and over	\$20

Mental health/substance abuse treatment improved

Outpatient mental health visits will be increased from 30 to 45 per year, subject to current benefit plan provisions.

Urgent Care process simplified and reduces co-pays

The referral and prior authorization requirements in HCP for both in and out of network urgent care visits are being eliminated. In-network co-pay remains at the same amount as specialist office visit co-pay.

Dental benefits

Momentive's dental benefits are designed to encourage good preventive care and help you pay for other important dental services. Dental coverage remains the same.



Updated Annual Out-of-Pocket Maximum Schedules

Health Care Preferred (Out of Network)

Annual Pay*	Individual	Family
Up to \$49,999	\$1,950	\$3,850
\$50,000-\$74,999	\$2,200	\$4,400
\$75,000-\$99,999	\$2,500	\$5,000
\$100,000-\$149,999	\$2,750	\$5,500
\$150,000 or more	\$3,050	\$6,100

Comprehensive Medical Plan

Annual Pay*	Individual/Family
Up to \$49,999	\$1,500
\$50,000-\$74,999	\$1,800
\$75,000-\$99,999	\$2,050
\$100,000-\$149,999	\$2,350
\$150,000 or more	\$2,600

*Based on annual pay defined as Normal Straight Time Annual Earnings.

National Network – CDPHN and Mountain States

A national provider network will be established for increased application of in-network benefits. This enables employees or dependents out of the network area to access in-network providers ultimately lowering employee out of pocket costs.

Retiree Health Benefits

Retiree health benefits – Pre 65

Regular contributions and plan design will continue to be consistent with active employee plans. The plan establishes a \$9,000 annual Company contribution cap per covered individual with a maximum of 2 caps. Covered individual contributions are subject to annual increases beginning January 1, 2009 and will be based on 2008 health care cost data. To help offset costs above the cap, the Company will make pro-rated payments of \$250 in 2009 and \$500 in 2010 per covered individual.



Retiree health benefits – Post 65

The Company will establish a new Medicare Supplement Plan to provide health care coverage integrated with Medicare. This plan will have a \$2,100 annual Company contribution cap per covered individual. Covered individual contributions to increase beginning January 1, 2009 based on premium increases. Monthly contributions for 2008 will be \$125 per covered individual.

Prescription drug program co-pays under the Post 65 Plan will be as follows:

	Retail Per 30-day supply	Mail Order Per 30-day supply
Generic	\$15	\$30
Brand	\$30	\$60

Disability

Disability benefits upgraded

Enhanced Long Term Disability Benefits reduces cost and increases coverage (Effective January 1, 2008)

The updated plan increases the monthly benefit maximum \$500 to \$3,500 and lowers the weekly rate to 0.45% of straight time pay until expiration of contract. It eliminates both the rate difference between under and over 14 years PQS and the rate difference by age. This means that employees will pay less for coverage and the rate is locked for the term of the contract.

Example: An employee age 48 with 16 years of service making \$50,000 annually will save approximately \$360 per year vs. current rates.

Short-Term Disability benefits to improve

The Short-Term Disability benefit for hourly and non-exempt salaried employees increases to a maximum of \$650 per week, effective with disabilities starting on or after January 1, 2008.

Other Benefit Programs

Special Benefits Protection continued

This provision maintains the same eligibility requirements. It also enables qualifying employees to continue health care contributions after age 60 which will be subject to the annual company contribution cap that begins in 2009.

Individual Development Program funding increased

- Increase calendar year maximum from \$5,000 to \$6,000 for tuition assistance and other associated education costs
- Increase tuition reimbursement for non-job related courses from \$2,000 to \$2,500
- Increase reimbursement for required books from \$200 to \$250 per course

Reimbursements improved for education and training

The Individual Development Program reimbursement amount for hourly and nonexempt salaried employees, including those on layoff, will be increased by \$1,000 to \$6,000 per calendar year. The reimbursement can be used for tuition and certain academic fees.

Additional vacation pay for 2006 and 2007 hires

- Eligible hourly employees with one year of service will be entitled to two weeks of vacation, effective October 1, 2007
- Hourly employees hired in 2006 will be granted one additional week of vacation in 2007 for a total of two weeks vacation. Hourly and non-exempt employees hired between January 1 and September 30, 2007 will receive one week of vacation this year

- Additional or initial vacation earned for 2007 as a result of this improvement will be paid in lieu of vacation time off. Payment will be made no later than February 1, 2008
- "Earn As You Go" established October 1, 2007 for all hourly and non-exempt employees hired after that date. "Earn As You Go" vacation is based on a prorated table
- Current employees remain on present vacation accrual schedule

New Hire Benefit Changes

Benefits for Employees Hired on or after October 1, 2007

- Can qualify for SERO/PCPO if renewed in subsequent contracts and if eligible at the time of a job loss event
- Life Insurance coverage reduces to \$15,000 at retirement
- Pre-65 Retiree Health Coverage will be provided as follows (no post-65 coverage)

Status	Coverage to age 65
Retires voluntarily at age 60 or later with 10 years of Continuous Service	25% of plan cost below \$9,000 plus 100% of plan cost above \$9,000
Retire at age 60/25 when affected by a plant closing or an involuntary layoff of indefinite duration where the employee has no right to displace to or be placed in another Momentive position SERO or PCPO	Regular contribution + 100% of Plan Cost above \$9,000
Retires on a Disability Pension	Regular contribution to age 60, then regular contribution + 100% of Plan Cost above \$9,000